

WHITE PIGEON TOWNSHIP LIBRARY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2005

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <u>White Pigeon Township Library</u>	County <u>St. Joseph</u>
Audit Date <u>June 30, 2005</u>	Opinion Date <u>September 16, 2005</u>	Date Accountant Report Submitted to State: <u>September 21, 2005</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input type="checkbox"/> no            | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input type="checkbox"/> no            | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input type="checkbox"/> no            | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> yes <input type="checkbox"/> no            | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input type="checkbox"/> no            | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input type="checkbox"/> no            | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) <u>David F. Lacey, C.P.A., P.C.</u>			
Street Address <u>6705 N. M-166</u>	City <u>Sturgis</u>	State <u>MI</u>	ZIP <u>49091</u>
Accountant Signature <u>[Signature]</u>			

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
WHITE PIGEON TOWNSHIP LIBRARY  
FOR THE YEAR ENDED JUNE 30, 2005

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Independent Auditor's Report

To Board of  
White Pigeon Township Library

We have audited the accompanying financial statements of the governmental activities of White Pigeon Township Library as of and for the year ended June 30, 2005, which comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of White Pigeon Township Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

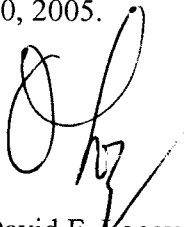
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of White Pigeon Township Library as of June 30, 2005, and the respective changes in financial position where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, budgetary comparison schedules are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise White Pigeon Township Library's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated September 16, 2005 on our consideration of White Pigeon Township Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

White Pigeon Township Library has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and related statements, as of June 30, 2005.



David F. Locey, CPA, PC  
September 16, 2005

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Library's financial performance provides an overview of the Library's financial activities for the year ended June 30, 2005.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on page 8) provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. Fund financial statements start on page 9. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Library's operations in more detail than the government-wide statements by providing information about the Library's general fund.

### **Reporting the Library as a Whole**

#### **The Statement of Net Assets and the Statement of Activities**

Our analysis of the Library as a whole begins on page 8. One of the most important questions asked about the Library's finances, is, "Is the Library as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Library as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Library's net assets and changes in them. You can think of the Library's net assets-the difference between assets and liabilities-as one way to measure the Library's financial health, or financial position. Over time, increases or decreases in the Library's net assets are one indicator of whether its financial health is improving or deteriorating.

Statement of Net Assets and the Statement of Activities:

- Governmental activities – The Library's basic services are reported here – performing library services. Property taxes, interest, penal fines, and contributions finance most of these activities.

## **Fund Financial Statements**

The fund financial statements begin on page 10 and provide detailed information about the general fund-not the Library as a whole.

- Governmental funds-All of the Library's services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Library's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

## **THE LIBRARY AS A WHOLE**

For the year ended June 30, 2005, net assets changed as follows:

	<b>Governmental Activities</b>
Beginning net assets	\$ 574,960
Increase in net assets	<u>27,217</u>
Ending net assets	<u>\$ 602,177</u>

## **Governmental Activities**

Again, because this is the first year to report governmental activities on the accrual basis of accounting, a comparison to the prior year is not possible. However, in next year's discussion this section will show a condensed financial comparison of revenues and expenses and provide explanations for significant differences.

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed, then revenues from that particular program reported second. The result is a Net(Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the Library's finances. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

### THE LIBRARY'S FUNDS

The following schedule presents a summary of revenues and expenditures for the fiscal year ended June 30, 2005.

<b>Revenues:</b>	<b>FYE 05 Amount</b>	<b>Percent of Total</b>
<b>Township Support-Property Taxes</b>	113,989	71.9%
<b>Penal Fines</b>	19,761	12.5%
<b>State Aid</b>	4,643	2.9%
<b>Contributions</b>	5,806	3.7%
<b>Other</b>	<u>14,356</u>	<u>9.0%</u>
<b>Total Revenues</b>	\$158,555	100.00%



<b>Expenditures:</b>	<b>FYE 05 Amount</b>	<b>Percent of Total</b>
Salaries and Wages	\$ 56,460	43.0%
Payroll Taxes	4,922	3.7%
Maintenance and Cleaning	7,989	6.1%
Utilities and Telephone	8,342	6.4%
Supplies	4,282	3.3%
Memorial Books	684	.5%
Audit-Professional	8,843	6.7%
Magazines and Newspapers	1,263	1.0%
Records, Films, and Tapes	0	.0%
Woodland's Library Cooperative	1,937	1.5%
Miscellaneous	4,881	3.7%
Insurance	1,838	1.4%
Seminars	2,654	2.0%
Depreciation	<u>27,178</u>	<u>20.7%</u>
<b>Total Expenditures</b>	<b>\$131,273</b>	<b>100.0%</b>

## **CAPITAL ASSET**

### **Capital Assets**

At the end of June 30, 2005, the Township had \$348,445 invested in capital assets.

	<b>Governmental Activities</b>
Equipment	\$ 62,033
Building	85,667
Circulation Inventory	243,133
Antiques	9,910
Depreciation	<u>(52,298)</u>
<b>TOTALS</b>	<b><u>\$ 348,445</u></b>

## **CONTACTING THE LIBRARY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact White Pigeon Township Library, 102 N. Kalamazoo Street, White Pigeon, MI 49099.

WHITE PIGEON TOWNSHIP LIBRARY  
STATEMENT OF NET ASSETS  
JUNE 30, 2005

ASSETS	Governmental Activities
Current Assets:	
Cash and Cash Equivalents	\$73,328
Investments	243,388
Accounts Receivable - State	2,319
Total current assets	<u>319,035</u>
Noncurrent Assets:	
Capital assets	
Building and Improvements	85,667
Equipment	62,033
Circulation Inventory	243,133
Antiques	9,910
Accumulated depreciation	(52,298)
Total noncurrent assets	<u>348,445</u>
Total assets	667,480
LIABILITIES	
Current Liabilities:	
Accounts Payable - Expenses	1,556
Deferred Revenue	<u>63,747</u>
Total liabilities	<u>65,303</u>
NET ASSETS	
Invested in Capital Assets	348,445
Unrestricted	<u>253,732</u>
Total net assets	<u><u>\$602,177</u></u>

Notes to the financial statement are an integral part of this statement.

WHITE PIGEON TOWNSHIP LIBRARY  
COMBING BALANCE SHEET - ALL FUND TYPES  
JUNE 30, 2004

ASSETS

Governmental  
Funds

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ASSETS

Cash	\$73,328
Investments	243,388
Accounts Receivable - State	<u>2,319</u>
Total Assets	<u><u>\$319,035</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred Revenue	\$63,747
Accrued Expenses	<u>1,555</u>
Total Liabilities	65,302

FUND BALANCE

Total Liabilities and Fund Balance	<u><u>253,733</u></u>
	<u><u>\$319,035</u></u>

WHITE PIGEON TOWNSHIP LIBRARY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	Governmental Activities
REVENUES	
Contributions from White Pigeon Township/Taxes	\$113,989
Interest	5,946
Penal Fines	19,761
State Aid	4,643
Charges for Services/Videos/Copy Work	1,315
Contributions - Grants	5,806
Miscellaneous	7,095
Total revenues	<u>158,555</u>
EXPENDITURES	
Salaries and Wages	56,460
Payroll Taxes - Benefits	4,922
Maintenance and Cleaning	7,989
Utilities and Telephone	8,342
Supplies	4,282
Memorial Books	684
Audit-Professional	8,843
Magazines and Newspapers	1,263
Records, Films, and Tapes	0
Woodland's Library Cooperative	1,937
Miscellaneous	4,881
Insurance	1,838
Books	11,616
Equipment	8,865
Seminar	2,654
Building Improvements	918
Total expenditures	<u>125,494</u>
Excess (deficiency) of revenues over expenditures	<u>33,061</u>
Fund balance-beginning	<u>574,960</u>
Fund balance-ending	<u><u>\$608,021</u></u>
Reconciliation of fund balances-total governmental funds to the net assets of governmental activities:	
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Prior Period Adjustment	(65)
Capital asset purchases capitalized - current year	21,399
Depreciation expense	(27,178)
Net Assets - Ending	<u><u>\$602,177</u></u>

Notes to the financial statement are an integral part of this statement.

WHITE PIGEON TOWNSHIP LIBRARY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2005

	Budget	Actual	Variance
REVENUES			
Contributions from White Pigeon Township/Taxes	\$114,000	\$113,989	(\$11)
Interest	3,000	5,946	2,946
Penal Fines	14,000	19,761	5,761
State Aid	2,800	4,643	1,843
Charges for Services/Videos/Copy Work	0	1,315	1,315
Contributions - Grants	1,700	5,806	4,106
Miscellaneous	5,600	7,095	1,495
Total revenues	<u>141,100</u>	<u>158,555</u>	<u>17,455</u>
EXPENDITURES			
Salaries and Wages	62,000	56,460	5,540
Payroll Taxes - Benefits	0	4,922	(4,922)
Maintenance and Cleaning	8,000	7,989	11
Utilities and Telephone	9,300	8,342	958
Supplies	6,000	4,282	1,718
Memorial Books	700	684	16
Audit-Professional	9,500	8,843	657
Magazines and Newspapers	1,400	1,263	137
Records, Films, and Tapes	0	0	0
Woodland's Library Cooperative	2,600	1,937	663
Miscellaneous	6,000	4,881	1,119
Insurance	3,000	1,838	1,162
Books	13,000	11,616	1,384
Seminars	3,000	2,654	346
Building Improvements-Equipment	10,000	9,783	217
Reserve Fund	0	0	0
Total expenditures	<u>134,500</u>	<u>125,494</u>	<u>(9,006)</u>
Excess (deficiency) of revenues over expenditures	<u>6,600</u>	<u>33,061</u>	<u>26,461</u>
Fund balance-beginning	<u>574,960</u>	<u>574,960</u>	<u>0</u>
Fund balance-ending	<u>\$581,560</u>	<u>\$608,021</u>	<u>\$26,461</u>

Notes to the financial statement are an integral part of this statement.

WHITE PIGEON TOWNSHIP LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2005

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

White Pigeon Township Library is located in St. Joseph County and provides library services.

**Reporting Entity**

In accordance with generally accepted accounting principles and Governmental Accounting Standards Boards (GASB) Statement No. 14 "The financial Reporting Entity", these financial statements present the Library (the primary government) and its component unit (none). The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading, if data were not included.

Criteria – primary vs. component unit  
Oversight Responsibilities

- A. Financial interdependency – responsibility for financial deficits or entitlement to surpluses
- B. Selection of governing authority
- C. Designation of management
- D. Ability to significantly influence operations
- E. Accountability for fiscal matter

**BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The Statement of Net Assets and Statement of Activities display information about the reporting government. Governmental activities generally are financed through intergovernmental revenues and other revenues.

**FUND FINANCIAL STATEMENTS**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses.

WHITE PIGEON TOWNSHIP LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2005

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT'D)**

The funds of the financial reporting entity are described below:

**GOVERNMENTAL FUNDS**

General Fund - This fund is the primary operating fund of the Library, it is used to account for all activities.

General Fixed Asset Group - Assets are recorded at historical costs, depreciation is not reflected.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resources measurement focus.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

**Basis of Accounting**

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

WHITE PIGEON TOWNSHIP LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2005

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT'D)**

Basis of Accounting (Cont'd)

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

ASSETS, LIABILITIES, AND EQUITY

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at market value, or estimated market value if actual is unavailable. Estimated market value was used to value the majority of the assets acquired prior to July 1, 2004.



WHITE PIGEON TOWNSHIP LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2005

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT'D)**

Government-wide Statements (Cont'd)

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Machinery and Equipment	7 years
Antiques	25 years
Circulations	15 years
Buildings Improvements	50 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**TOTAL COLUMN ON COMBINED STATEMENTS – OVERVIEW**

The total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position, in conformity with generally accepted accounting principles, also is not data comparable to a consolidation because interfund eliminations have not been made in the aggregation of this data.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

WHITE PIGEON TOWNSHIP LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2005

**DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**CASH AND CASH EQUIVALENTS**

Deposits

The Library's policies regarding deposits of cash are discussed below. The table presented below is designed to disclose the level of custody credit risk assumed by the Library based upon how its deposits were insured or secured with collateral at June 30, 2005. The categories of credit risk are defined as follows:

Category 1-Insured by FDIC or collateralized with securities held by the Library or its agent in its name

Category 2-Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Library's name

Category 3-Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Library's name; or collateralized with no written or approved collateral Agreement

Custody - Credit Risk - Category

Type of Deposits	Total Bank Balance			
		1	2	3
	<u>\$317,116</u>	<u>\$266,651</u>	<u>\$ 0</u>	<u>\$ 50,465</u>

WHITE PIGEON TOWNSHIP LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2005

OTHER ASSETS

COMPENSATED ABSENCE

None.

POST EMPLOYMENT BENEFITS

No benefits are available.

COMMITMENTS AND CONTINGENCIES

Management of the Library is not aware of any material commitments or contingent liabilities.

DEFERRED REVENUE

The White Pigeon Township Library receives property tax revenue on a calendar year basis, the White Pigeon Township Library operates on a June 30 fiscal year. Therefore one-half of the property tax received is considered revenue attributable to the second-half of the calendar year. During the current year the deferred revenue amounted to \$60,156.